



*Department of Consumer Affairs  
Bureau of Automotive Repair*

**AUTO BODY REPAIR  
INSPECTION PILOT PROGRAM**

**REPORT TO THE LEGISLATURE**

**September 2003**

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## ***EXECUTIVE SUMMARY***

As mandated by Senate Bill 1988 (Speier, Chapter 867, Statutes of 2000), the Department of Consumer Affairs, Bureau of Automotive Repair (DCA/BAR) conducted a study of auto body collision repairs by inspecting vehicles from around California.

As stated in the bill, the purpose of the Auto Body Repair Inspection Pilot Program was to identify auto body repair work that was not done “according to specifications in the final invoice.”

In 2001, the BAR started the program by establishing a toll-free telephone number and electronic scheduling center. Consumers from around the state could call and request an inspection of their vehicle at their residence or workplace at no charge.

In summary, a total of 1,315 qualifying vehicles were inspected during the study, which began on July 1, 2001, and ended on June 30, 2003. To qualify, a vehicle must have had at least \$2,500 worth of collision repairs performed within the preceding 120 days of the owner applying for the program. BAR’s inspections indicated that of the 1,315 qualifying vehicles, 551 (or 42%) had parts or labor listed on the invoice that were not actually supplied or performed. The average dollar amount per vehicle where this occurred was \$811.93. When proved by BAR, if a shop charges customers for repairs they don’t receive, there is cause for discipline under Business and Professions Code section 9884.7(a)(1), *making or authorizing any untrue or misleading statement*, and 9884.7(a)(4), *other conduct constituting fraud*. The data on qualifying vehicles are contained in Attachment A.

When a pattern of such unlawful conduct is documented, BAR typically submits its investigation and findings to the California Attorney General with a recommendation that disciplinary action be filed.

For purposes of this study, when determining which cases to submit to the Attorney General for formal legal action, BAR focused on those cases where significant patterns and abuses were in evidence. Limited resources did not permit referring all cases to the Attorney General where violations were found. As of September 1, 2003, there have been 47 administrative actions filed by the Attorney General and 46 referrals to local District Attorneys for possible criminal or civil action. More of these actions are expected as additional investigations are concluded.

In cases where qualified program participants filed a complaint and BAR chose to mediate the consumer’s issues with the repair facility, BAR was successful in securing offers of over \$500,000 in direct refunds, rework of the vehicle, or adjustments to the bill. More detailed information about these reimbursements is in Attachment B.

### ***Recommendations***

Throughout the project, BAR noted the lack of statutory or regulatory requirements informing the working relationship between auto repair facilities and insurance carriers. BAR would recommend that the Senate Insurance Committee, industry and consumer stakeholders continue to work with BAR to determine if certain protocols or requirements should be required through statute or regulation.

The BAR is also recommending that insurance adjusters more accurately describe the documents they produce as “visual damage assessments,” rather than as itemized estimates. This should help consumers better understand that these documents may not detect or represent all the damage to the vehicle or all the repairs that are necessary.

## ***BACKGROUND***

Following years of reports suggesting persistent consumer abuse in the conduct of auto body repairs, and as a review of ongoing BAR investigations, the California Senate Insurance Committee began to look into auto theft and auto body repair issues in March of 1999.

The Committee, through investigation, interviews and public hearings, intended to “identify proposals to reduce illegal conduct.” The result was a Committee report, *Fraud on Wheels*, published in February 2000.

The report states, “When auto insurance fraud and auto body repair fraud are added to theft losses, the total price tag to the law abiding public rises to as much as \$9 billion, according to law enforcement officials.”

In an effort to evaluate repaired vehicles and capture current forensic evidence of repair practices and transactions, SB 1988 was enacted in 2000 and BAR’s Auto Body Repair Inspection Pilot Program was established.

BAR’s pilot project has been conducted consistent with Section 1 of SB 1988, which declares, in part, that: “The Legislature finds and declares that auto theft, auto body repair fraud and other forms of insurance fraud...cause great economic harm and personal suffering to the people of California.”

## ***METHODOLOGY***

Under SB 1988, the Bureau of Automotive Repair (BAR) is charged with establishing the Auto Body Repair Inspection Pilot Program. Pursuant to Business and Professions Code section 9889.25, the program called for BAR to inspect insured vehicles that have had recent auto body repairs to determine if the repairs are consistent with those noted on the final invoice. SB 1988 instructed BAR to make the pilot program available to consumers in all areas of the state. The costs incurred by BAR to conduct the pilot inspection program, and produce this report, were offset by temporary funding specifically appropriated for this purpose.

SB 1988 established the following minimum qualifications for participating vehicles:

- Repairs to the vehicle must have been completed within 120 days of the request to participate.
- The total repair bill must have exceeded two thousand five hundred dollars (\$2,500).
- The vehicle owner must be willing to provide BAR with access to the vehicle to facilitate an inspection.

The challenge to design an inspection program began by establishing a process capable of preserving the data and keeping the results factual and as random as possible in order to produce the most in-depth analysis of auto body repair in California.

The BAR began its efforts by designing a complete tracking process. This process began with the consumer's initial call requesting an inspection of his or her vehicle. The process was as follows:

- The consumer's call was received via a specially designated toll-free telephone number.
- A scheduler screened the call to determine if it met the above qualification criteria.
- A scheduler (based on the consumer's geographic location) made an appointment with a BAR Field Representative.
- Using the consumer's final invoice, the Field Representative inspected the vehicle, item by item, as stated on the invoice. Consumers were not charged for the inspection.
- The results of the inspection were documented on a special inspection data report form. The form captured information about the consumer, the vehicle, repair facility, insurance company, and the inspection results.
- If billing discrepancies were discovered, they were documented and supported with photographs, a copy of the estimate/invoice, and any additional evidence that may have been available.
- If the consumer had a dispute with the auto body repair shop, they were informed they could file a complaint at that time.
- The inspection report form, along with all additional documents, were forwarded to BAR Headquarters in Sacramento for processing.
- In Sacramento, the data from the report form were entered into a database and filed. The complaint, with supporting documentation, was entered into the Department's complaint tracking system. A tracking number and appropriate Field Office were assigned. The complaint was then forwarded to the Field Office for mediation and/or investigation.
- Once received by the Field Office, a Field Representative was assigned to handle the complaint. This may have resulted in a mediated settlement between the auto body shop and the consumer, which may have included a refund to the consumer, rework of the vehicle at no additional charge to the consumer, or an adjustment to the bill.
- In those cases where serious wrongdoing was alleged, a formal investigation was opened that could result in formal disciplinary action being filed by the State Attorney General against the auto body repair shop, and possibly a criminal and/or civil action being filed by a local district attorney.

In any case, the inspection data was captured to document the statistical requirements of the pilot program.

The inspection was established to be a forensic process in which the Field Representative would examine the vehicle according to the repairs stated on the consumer's invoice and document the findings. If discrepancies between the invoice and vehicle were discovered, the findings were documented and forwarded to the appropriate Field Office to be handled as a complaint. If warranted, an investigation was opened.

The BAR accepted consumer requests for inspections from July 1, 2001 through June 30, 2003. Although some of the consumer requests for inspection were determined to be "non-qualified" under the pilot project, BAR responded in the same manner as any other request for assistance and the findings were documented and tracked. The data for non-qualifying vehicles are contained in Attachment C.

During the course of the program, issues arose for some vehicles that affected BAR's ability to perform a complete inspection on the first visit. Inspecting a consumer's vehicle at one's home or place of business, along with the complexity of some repairs, became a challenge in some cases. Many of the vehicles inspected had hidden damage that required partial disassembly to determine if the repair or replacement of a component actually took place. In these instances, consumers were rescheduled for a more in-depth inspection at a repair facility or BAR lab. If it was necessary, BAR worked with the insurance company to supply consumers with a rental car while a complete inspection of the vehicle was performed. This process rarely took more than a day.

## ***PROGRAM RESULTS***

The data in this report consist of information gathered from consumers who contacted BAR to request an inspection of their vehicle under the pilot. Most consumers called to request an inspection because they were curious about the "after-repair" condition of their vehicle. The consumers who took part in the pilot did not appear to have any pre-conceived ideas about the repair, the auto body repair shop, their insurance company, or the pilot inspection program.

Although SB 1988 established specific requirements for participation in the study, the BAR elected to inspect the vehicle of any consumer who contacted us. This decision was made for two reasons. First, a consumer's information may not have been accurate based on a misunderstanding of the pilot criteria or possible supplemental billing unknown to them. The second reason is that BAR has never strayed from its consumer protection mission regarding automotive repair issues. Information was compiled on all inspected vehicles, and then broken into two categories: qualified and non-qualified. That is, those vehicles that met the qualifying criteria of SB 1988, and those that did not.

The program scheduled 2,131 vehicles for inspection and inspected a total of 1,949 vehicles. Of these, 1,315 met the qualifying criteria established in SB 1988. The other 634 failed to meet one or more of the qualifications. The criterion that most often kept a vehicle from qualifying was that the time since the repairs were performed exceeded 120 days.

BAR Field Representatives retrieved an invoice from the customer, or, if the customer was unable to supply one, from the repair facility that performed the repairs or the insurance company involved in the claim. If no documentation could be secured, the vehicle was excluded from the study completely.

BAR inspected a total of 1,315 vehicles during the course of the pilot. These inspections revealed that 551 (or 42%) of the 1,315 vehicles had parts and/or labor that were billed for but not provided. These 551 vehicles averaged \$811.93 worth of parts and/or labor billed for but not provided. Evidence gained by BAR from these inspections led BAR to open up a large number of automotive repair fraud investigations.

As of September 1, 2003, the BAR has completed 176 investigations into the business practices of auto body repair facilities, based on SB 1988 inspections of qualifying vehicles. Thus far, the investigations have yielded 47 Administrative Actions that propose to suspend or revoke the license of the auto body repair shop. Most of the cases at the Attorney General's Office have not yet been fully adjudicated. It is hoped that they will be completed shortly while funds are still available. There also have been 46 cases referred to local District Attorneys for possible criminal or civil action. In many cases, where the dollar amount was low and a pattern did not emerge, BAR staff conducted "office conferences" with the repair facility owners, in an effort to achieve voluntary compliance. There have been 110 office conferences between BAR and repair facility management, in which the auto repair dealer was informed of violations of the Automotive Repair Act and instructed to refrain from those business practices. The total number of actions taken (203 - administrative, District Attorney referrals, and office conferences) exceeds the total number of closed investigations (176) because many of the District Attorney referrals were concurrent to an administrative action.

As resources become available, BAR staff will continue to conduct follow-up investigations where appropriate and more legal actions are anticipated.

Finally, throughout the pilot program, the BAR maintained a record of the amount of money that was offered to consumers or insurers as a result of its complaint mediation efforts. These reimbursements have been reported in three categories: adjustments, refunds, or rework. Attachment B explains each of these categories and provides a breakdown of each. In all, BAR's mediation efforts have produced over \$500,000 in these reimbursements to consumers.



## ***RECOMMENDATIONS***

BAR recommends that the California Senate Insurance Committee consult with the BAR, the Department of Insurance, the insurance industry, consumer advocates, and auto body repair industry to explore specific methods and strategies to reduce unfair and illegal practices in the auto collision repair industry. As part of this strategy, protocols should be developed that better define the roles of, and the relationship between, the auto insurance and auto body repair industries. These discussions should also include a serious consideration as to reforms in the methods of estimating collision damage.

In its evaluation, the Committee may want to consider requiring that those who have the mechanical background and equipment to properly evaluate the true condition of the vehicle do the formal estimating of collision damage. The BAR understands that this could be the largest shift in the dynamics of auto body repair, but believes that it is in the consumer's best interest to have his or her car evaluated in a comprehensive fashion by the people who will repair it. This would facilitate a more educated decision by the customer as well as hold the repair facility more responsible for their recommendations and repair procedures.

The documents that adjusters produce are often the result of a simple visual inspection of the vehicle, and may not be an accurate assessment of the total amount of repairs necessary. The BAR recommends that the document produced by adjusters be known for what it really is, a "visual damage assessment," and nothing more. This assessment should also be properly identified and explained, so that the customer knows that it may not be a comprehensive, complete and itemized estimate of all the repairs that are necessary to return the vehicle to its pre-accident condition.

AUTO BODY REPAIR INSPECTION PILOT PROGRAM Qualified Vehicles	
Scheduled Inspections	1,521
Completed Inspections	1,315
Inspections Where Parts/Labor Billed For But Not Provided*	551 (42%)
Consumer Complaints Filed	717 (55%)
Average \$ Amount of Parts/Labor Billed For But Not Provided	\$811.93

\* These practices are typically the precursor for BAR to open an automotive repair fraud investigation.

# ATTACHMENT B

## COMPLAINT MEDIATION RESULTS

This page shows a breakdown of monies refunded through the complaint handling process for many of the 551 qualifying vehicles. SB 1988 program participants had the right to open a complaint and seek BAR's assistance in addressing their concerns. Upon closure of the complaint, any offers made by the repair facility through the mediation process are documented. Although in most cases a successful mediation effort is marked by an offer to settle the issues, the consumer does not always accept them. Offers are put into the following three categories for the qualified vehicles in the program:

- Adjustments – This is where the final bill has not been collected by the repair facility and the total has been adjusted to suit both parties. This occurred 17 times for a total of \$58,546.81.
- Refunds – This is when the bill has already been paid and the repair facility has offered money to settle the issues raised by the complainant. This occurred 94 times for a total of \$207,399.14.
- Rework – This is when the repair facility has agreed to rework, at no charge, a part of the original job to the complainant's satisfaction. An estimated amount of this rework is attached to that job. This occurred 207 times at a total value of \$270,167.92.

The total dollar amount of consumer restitution offered for the above complaints was \$536,113.87.

AUTO BODY REPAIR INSPECTION PILOT PROGRAM Non-Qualified Vehicles	
Scheduled Inspections	610
Completed Inspections	634
Inspections Where Parts/Labor Billed For But Not Provided*	185 (29%)
Consumer Complaints Filed	369 (58%)
Average \$ Amount of Parts/Labor Billed For But Not Provided	\$606.84

\* These practices are typically the precursor for BAR to open an automotive repair fraud investigation.